

TAMARACK DISTRICT LIBRARY
MONTCALM COUNTY, MICHIGAN

AUDIT REPORT

JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Tamarack District Library	County Montcalm
Audit Date 6/30/05	Opinion Date 11/17/05	Date Accountant Report Submitted to State: 11/25/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

DEC 05 2005

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

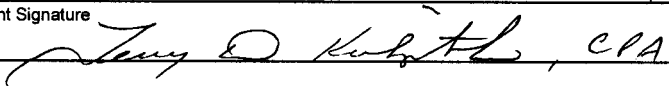
LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.			
Street Address 211 MAPLE STREET	City Big Rapids	State MI	ZIP 49307
Accountant Signature 		Date 11/25/05	

CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Governmental Fund Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7-9
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	10

TERRY KIRKPATRICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

211 MAPLE STREET
P O BOX 817
BIG RAPIDS, MICHIGAN 49307-0817
(231) 796-3332
FAX (231) 796-5554

Independent Auditor's Report

To the Library Board of the Tamarack District Library
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamarack District Library, Montcalm County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise Tamarack District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Tamarack District Library, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tamarack District Library, Montcalm County, Michigan, as of June 30, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Tamarack District Library has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2005. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tamarack District Library, Montcalm County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
November 16, 2005

BASIC FINANCIAL STATEMENTS

Tamarack District Library – Montcalm County, Michigan
Government Wide Statement of Net Assets
June 30, 2005

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 232,042
Capital Assets (Net)	<u>189,566</u>
Total assets	<u>\$ 421,608</u>
LIABILITIES	
Accounts Payable	\$ 250
NET ASSETS	
Invested in capital assets, net of related debt	189,566
Unrestricted	<u>231,792</u>
Total net assets	<u>421,358</u>
Total liabilities and net assets	<u>\$ 421,608</u>

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan
Government Wide Statement of Activities
For the Year Ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Operating Grants</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
PRIMARY GOVERNMENT				
Cultural and Recreation	\$ 167,070 \$	70,674 \$	0 \$	(96,396)
Depreciation (unallocated)	1,130	0	0	(1,130)
Total primary government	\$ 168,200 \$	70,674 \$	0 \$	(97,526)

General Revenues	
Tax Contributions from County	109,817
State Grants	4,571
Interest Earnings	2,611
Other Revenue	29,939
Total general revenues	146,938
Change in Net Assets	
Net assets - Beginning of year	49,412
Net assets - End of year	371,946
	\$ 421,358

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Tamarack District Library – Montcalm County, Michigan
 Governmental Fund Balance Sheet
 June 30, 2005

	General Fund	Building Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 203,951	\$ 28,091	\$ 232,042
LIABILITIES AND FUND EQUITY			
Accounts Payable	\$ 250	\$ 0	\$ 250
Fund Balance - Unreserved and Undesignated	203,701	28,091	231,792
Total liabilities and fund equity	\$ 203,951	\$ 28,091	\$ 232,042
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets			
Total Governmental Fund Balances			\$ 231,792
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.			
Cost of capital assets, net of depreciation			189,566
Net assets of governmental activities			\$ 421,358

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	General Fund	Building Fund	Total Governmental Funds
REVENUES			
Tax Contributions from County	\$ 109,817	\$ 0	\$ 109,817
State Grants	4,571	0	4,571
Charges for Services	70,674	0	70,674
Interest and Rents	2,349	262	2,611
Other Revenue	21,676	8,263	29,939
Total revenues	209,087	8,525	217,612
EXPENDITURES			
Cultural and Recreation	167,060	10	167,070
Capital Outlay	13,575	0	13,575
Total expenditures	180,635	10	180,645
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,452	8,515	36,967
Fund Balance - July 1, 2004	175,249	19,576	194,825
Fund Balance - June 30, 2005	\$ 203,701	\$ 28,091	\$ 231,792

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Government Funds	\$	36,967
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is capital outlay.		
		13,575
Depreciation expense		<u>(1,130)</u>
Change in Net Assets of Governmental Activities	\$	<u>49,412</u>

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Tamarack District Library conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Tamarack District Library:

Reporting Entity

The Library is governed by an appointed, eight-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Library does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements - Continued

For the Year Ended June 30, 2005

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted-for in another fund.

The Building Fund is used to record donations and interest for expenditures for a new Library Building.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
Equipment	5 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Library have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a library to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

The Library has designated one bank for the deposit of Library Funds. The investment policy adopted by the Library Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Library's deposits and investment policy are in accordance with statutory authority.

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

Governmental Activities

Cash and cash equivalents \$ 232,042

The bank balance of the primary government's deposits is \$243,351 of which \$179,543 is covered by federal depository insurance.

NOTE D – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and Houses	\$ 128,996	\$ 6,000	\$ 0	\$ 134,996
Capital assets being depreciated				
Buildings	50,000	0	0	50,000
Equipment	0	7,575	0	7,575
Less: Accumulated depreciation for capital assets	(1,875)	(1,130)	0	(3,005)
Net capital assets	\$ 177,121	\$ 12,445	\$ 0	\$ 189,566

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

NOTE E – RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Library has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Tamarack District Library – Montcalm County, Michigan
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
BEGINNING OF YEAR FUND BALANCE	\$ 175,249	\$ 175,249	\$ 175,249	\$ 0
Resources (inflows)				
Tax Contributions from County	81,247	81,247	109,817	28,570
State Grants	8,700	8,700	4,571	(4,129)
Charges for Services	58,800	58,800	70,674	11,874
Interest and Rents	700	700	2,349	1,649
Other Revenue	46,659	46,659	21,676	(24,983)
Amounts Available for Appropriation	371,355	371,355	384,336	12,981
Charges to Appropriations (outflows)				
Cultural and Recreation				
Library	181,366	181,366	167,060	14,306
Capital Outlay	13,000	13,000	13,575	(575)
Budgetary Fund Balance - June 30, 2005	\$ 176,989	\$ 176,989	\$ 203,701	\$ 26,712

TERRY KIRKPATRICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

211 MAPLE STREET
P O BOX 817
BIG RAPIDS, MICHIGAN 49307-0817
(231) 796-3332
FAX (231) 796-5554

RECEIVED
DEPT. OF TREASURY

November 17, 2005

DEC 05 2005

To the Honorable Chairman and Members of the
Library Board of the Tamarack District Library,
Montcalm County, Michigan:

LOCAL AUDIT & FINANCE DIV.

We have recently completed our audit of the basic financial statements of the Tamarack District Library for the year ended June 30, 2005. During this audit, we had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of our auditing procedures, there are some comments we want to present.

BANK COPIES OF CANCELLED CHECKS

The copies of the cancelled checks included with the monthly bank statement should remain intact with the respective statement. There is no reason to file these copies in a location separate from the statement.

TWO-PART OR THREE-PART CHECKS

We recommend that the Library consider using two-part or three-part checks for its disbursements. Three-part checks would allow the top copy to go to the vendor, the second to the Treasurer (to file in numerical order), and the third copy would be attached to the invoice for which it is making payment and filed in numerical order. This would lend to better internal controls.

LIBRARY CREDIT CARD

It is important that whenever the Library credit card is used, the original invoice should be attached to the credit card monthly statement. There were several instances where the statement did not have supporting documentation attached.

Also, there were a few times when employees of the Library used their personal credit card to make purchases. There is no legal problem with this (as long as the invoice is presented to the Library as support), but there were instances where major purchases were made in this manner, which caused the Library to be subject to sales tax. There was

one instance where a computer was purchased, which cost the Library nearly \$70 in sales tax.

OTHER MATTERS

We want to thank your personnel for the courtesy and cooperation shown us by them during our audit.

We have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact us.

Sincerely,

Terry Kubistek, CPA, P.C.